

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

SV Financial, Inc,

Point of Contact:	Dirk J. Meminger	RSSD: (For Bank Holding Companies)	3093919
UST Sequence Number:	1079	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	4,000,000	FDIC Certificate Number: (For Depository Institutions)	35131
CPP/CDCI Funds Repaid to Date:	4,209,689	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	April10,2009	City:	Sterling
Date Repaid ¹ :	August 31,2011	State:	Illinois

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

Due to the increase mortgage activity, the loan portfolio experienced a \$10.8 million increase during 2011 and settled at a \$5.9 million increase from December 2010 to December 2011. Without the capital we would not have had the capacity to take full advantage of the lending needs in 2011.

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☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

The bank experienced growth of \$8.4 million in Commercial and Commercial Real Estate loans combined. The bank AG portfolio declined \$1.7 million due to an improved liquidity position in the local farm economy,

☒ **Increase securities purchased (ABS, MBS, etc.).**

Outstanding securities increased due to the purchase of MBBS/Municipality issues. We support local municipalities as well as purchase securities on the open market.

☐ **Make other investments.**

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<input type="checkbox"/>	Increase reserves for non-performing assets.
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<input type="checkbox"/>	Reduce borrowings.
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<input type="checkbox"/>	Increase charge-offs.
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☐ Purchase another financial institution or purchase assets from another financial institution.

☒ Held as non-leveraged increase to total capital.

Sauk Valley Bank continued to operate with higher leverage and risk based capital ratio levels for 2011. Management desires to maintain and operate with higher capital than required.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The primary action avoided through the infusion of capital was the prospect of shrinking the bank's balance sheet in order to increase capital ratios. While the bank has always operated as a well capitalized bank, it is recognized that regulators are frequently requiring increased capital ratios beyond the well capitalized standards.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

The primary action allowed through the infusion of capital was the continued growth of the bank namely continued lending and accepting deposits within our market place. Our lending facilities keep people employed in our communities and many times provide necessary funding for new businesses to start or relocate to our area.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

The benefits of capital infusion into community banks has focused upon the lending supported with the incremental capital. It is just as important to note the reality that bank serve the needs of many businesses, organizations, municipalities and individuals that do not borrow or who have limited borrowing needs. The infusion and deployment of capital is a success story for SVB and the three communities it serves.